

Mountain Warehouse Limited

Annual report and financial statements

Registered number 03417738

52 week period ended 25 February 2018



Contents

Strategic report	3
Directors' report	4
Statement of directors' responsibilities in respect of the annual report and the financial statements	5
Independent auditor's report to the members of Mountain Warehouse Limited	6
Consolidated Statement of Profit and Loss and Other Comprehensive Income	8
Consolidated Balance Sheet	9
Company Balance Sheet	10
Consolidated Statement of Changes in Equity	11
Company Statement of Changes in Equity	11
Consolidated Cash Flow Statement	12
Notes	13

Strategic report

Principal activities and business model

The principal activity of Mountain Warehouse Limited and its subsidiaries is the retail of clothing and equipment for outdoor pursuits. The group operates through two channels, namely retail outlets and the internet.

Business review, results and key performance indicators

During the 52 week period ending 25 February 2018, consolidated turnover has grown 22%, from £184.8m to £225.9m. The profit before tax is £20.8m (2017: £21.1m). There were 292 stores at the end of the period (2017: 263).

Principal risks and uncertainties

The Directors are responsible for ongoing review and management of risks. They do this through a framework of policies, procedures and internal controls. All risk management policies are subject to Board approval.

The principal risks to the business are a downturn in consumer spending and inflation on cost of goods sold. Risks of exchange rate fluctuations have been mitigated through hedging strategies.

On 29 March 2017, the UK government formally announced that the UK will leave the European Union. The UK government has since begun the process of negotiating the terms of the UK's future relationship with the EU. Although it is unknown what those terms will be Brexit may create global economic uncertainty, which may cause our customers to closely monitor their spending. As yet it is uncertain what impacts on the group will be but management continues to monitor this on an ongoing basis.

Long-term external borrowings incur variable interest rate charges linked to LIBOR.

Future developments

The Board is confident in the future growth of the company and continues to roll out new stores during 2018 in the UK and internationally.

The Board has prepared a working capital forecast based upon assumptions as to the Group's future trading. Based upon these projections, its available facilities and cash balances and exposures and management of financial risks, the Board has concluded that there is a reasonable expectation that the Group has adequate resources to remain in operational existence for the foreseeable future. On this basis, the Directors continue to adopt the going concern basis for the preparation of the financial Statements.

By order of the board,



Marcus Ward
Director

27 June 2018

5 Eccleston Street
London
SW1W 9LX

Directors' report

The directors present their annual report and the audited financial statements for the 52 week period ended 25 February 2018.

Proposed dividend

The directors do not recommend the payment of a dividend (2017: *£nil*).

Directors and directors' interests

The directors who held office during the period and remain in office to date were as follows:

Mark Neale
Marcus Ward
Shantelle Augier
James Pinder

Employees

It is the board's policy to pursue open communication with employees and, to this end, meetings are held with management to convey information about the business. Employees are encouraged to contribute to the decision making process through their participation in these meetings.

The company gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Systems are in place to prevent discrimination. Where existing employees become disabled, it is the company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development opportunities where appropriate.

Overseas branches

The Company has overseas branches in Germany, Ireland and New Zealand.

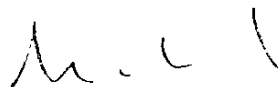
Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they each are aware, there is no relevant audit information of which the group's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst and Young LLP will therefore continue in office.

By order of the board,



Marcus Ward
Director

27 June 2018

5 Eccleston Street
London
SW1W 9LX

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOUNTAIN WAREHOUSE LIMITED

Opinion

We have audited the financial statements of Mountain Warehouse Limited ('the parent company') and its subsidiaries (the 'group') for the period ended 25th February 2018 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Consolidated and Company Balance Sheet, Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 25 February 2018 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Judith Smith (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 29/6/18

Consolidated Statement of Profit and Loss and Other Comprehensive Income
For 52 week period ended 25 February 2018

	<i>Note</i>	2018 £'000	2017 £'000
Turnover	2	225,910	184,781
Cost of sales		(108,769)	(85,795)
Gross profit		117,141	98,986
Administrative expenses		(96,210)	(77,791)
Operating profit		20,931	21,195
Interest received and similar income		1	2
Interest payable and similar charges	5	(122)	(144)
Profit on ordinary activities before taxation		20,810	21,053
Tax on profit on ordinary activities	7	(2,965)	(3,141)
Profit for the financial period		17,845	17,912
Other comprehensive expenditure			
Exchange differences on translation of foreign operations	16	285	(283)
Effective portion of changes in fair value of cash flow hedges	16	(4,725)	(493)
Income tax on other comprehensive income	16	898	93
Other comprehensive expenditure for the period, net of income tax		(3,542)	(683)
Total comprehensive income for the period, net of income tax		14,303	17,229

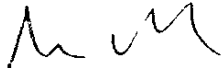
The results derive entirely from continuing operations.

Consolidated Balance Sheet

At 25 February 2018

	Note	2018 £'000	Restated 2017 ¹ £'000
Fixed assets			
Intangible fixed assets	8	1,898	1,252
Tangible fixed assets	9	24,626	23,066
		26,524	24,318
Current assets			
Stocks	11	45,644	42,018
Debtors	12	40,116	35,191
Other financial assets	18	416	1,972
Cash at bank and in hand	18	17,623	4,552
		103,799	83,733
Current liabilities			
Trade and other payables	13	(36,163)	(31,533)
Other financial liabilities	18	(2,839)	-
		64,797	52,200
Total assets less current liabilities		91,321	76,518
Non-current liabilities			
Trade and other payables	14	(4,625)	(4,584)
Provisions for other liabilities	15	(4,294)	(3,717)
Deferred tax liability	19	(234)	(352)
		82,168	67,865
Net assets		82,168	67,865
Capital and reserves			
Called up share capital	16	1,360	1,360
Profit and loss account	16	83,083	65,238
Hedging reserve	16	(2,277)	1,550
Foreign currency translation reserve	16	2	(283)
		82,168	67,865
Shareholder's funds		82,168	67,865

These financial statements were approved by the board of directors on 27 June 2018 and were signed on its behalf by:


Marcus Ward
Director

Company registered number: 03417738

¹ The prior year comparatives have been restated to reflect the retrospective application of a change in the dilapidations accounting policy. See note 1.15 on page 16 for further information.

Company Balance Sheet

At 25 February 2018

	Note	2018 £'000	Restated 2017 ¹ £'000
Fixed assets			
Intangible fixed assets	8	1,099	1,222
Tangible fixed assets	9	14,577	13,742
Investment in subsidiary	10	2,361	62
		18,037	15,026
Current assets			
Stocks	11	36,394	32,401
Debtors	12	56,797	53,970
Other financial assets	18	416	1,972
Cash at bank and in hand	18	13,892	1,331
		107,499	89,674
Current liabilities			
Trade and other payables	13	(34,130)	(30,806)
Other financial liabilities	18	(2,839)	-
		70,530	58,868
Total assets less current liabilities		88,567	73,894
Non-current liabilities			
Trade and other payables	14	(3,137)	(3,204)
Provisions for other liabilities	15	(3,716)	(3,495)
Deferred tax liability	19	-	(331)
		81,714	66,864
Net assets		81,714	66,864
Capital and reserves			
Called up share capital	16	1,360	1,360
Profit and loss account	16	82,631	63,954
Hedging reserve	16	(2,277)	1,550
		81,714	66,864
Shareholder's funds		81,714	66,864

These financial statements were approved by the board of directors on 27 June 2018 and were signed on its behalf by:



Marcus Ward

Director

Company registered number: 03417738

¹ The prior year comparatives have been restated to reflect the retrospective application of a change in the dilapidations accounting policy. See note 1.15 on page 16 for further information.

Consolidated Statement of Changes in Equity

At 25 February 2018

	Share capital £000	Cash flow hedging reserve £000	Retained earnings £000	Foreign currency translation reserve £000	Total equity £000
Balance at 1 March 2016	1,360	1,950	47,326	-	50,636
Total comprehensive income for the period					
Profit	-	-	17,912	-	17,912
Other comprehensive income (note 16)	-	(400)	-	(283)	(683)
Total comprehensive income for the year	-	(400)	17,912	(283)	17,229
Balance at 26 February 2017	1,360	1,550	65,238	(283)	67,865
Total comprehensive income for the period					
Profit	-	-	17,845	-	17,845
Other comprehensive loss (note 16)	-	(3,827)	-	285	(3,542)
Total comprehensive income/(loss) for the period	-	(3,827)	17,845	285	14,303
Balance at 25 February 2018	1,360	(2,277)	83,083	2	82,168

Company Statement of Changes in Equity

At 25 February 2018

	Share capital £000	Cash flow hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 March 2016	1,360	1,950	46,596	49,906
Total comprehensive income for the period				
Profit	-	-	17,358	17,358
Other comprehensive income (note 16)	-	(400)	-	(400)
Total comprehensive income for the period	-	(400)	17,358	16,958
Balance at 26 February 2017	1,360	1,550	63,954	66,864
Total comprehensive income for the period				
Profit	-	-	18,677	18,677
Other comprehensive loss (note 16)	-	(3,827)	-	(3,827)
Total comprehensive income/(loss) for the period	-	(3,827)	18,677	14,850
Balance at 25 February 2018	1,360	(2,277)	82,631	81,714

Consolidated Cash Flow Statement
for the 52 week period ended 25 February 2018

	<i>Note</i>	2018 £000	Restated¹ 2017 £000
Operating activities			
Profit for the period		17,845	17,912
Adjustments for:			
Depreciation and amortisation	8,9	5,282	4,124
Impairment loss	9	883	-
Loss on disposal of fixed assets	3	66	247
Foreign currency (gains)/losses on derivatives		(330)	251
Financial income		(1)	(2)
Financial expense	5	122	144
Taxation	7	2,965	3,141
Currency translation losses/(gains)		1,401	(2,374)
		<hr/>	<hr/>
Increase in trade and other receivables	12	28,233	23,443
Increase in inventories	11	(4,552)	(5,282)
Increase in trade and other payables	13	(3,011)	(11,682)
Increase in provisions	15	(4,968)	6,254
		<hr/>	<hr/>
Tax paid		577	2,023
		<hr/>	<hr/>
Net cash from operating activities		26,215	14,756
		<hr/>	<hr/>
Investing activities			
Interest received		1	2
Acquisition of property, plant and equipment	9	(6,324)	(10,893)
Acquisition of other intangible assets	8	(711)	(546)
Acquisition of subsidiary undertaking net of cash acquired		(2,207)	-
		<hr/>	<hr/>
Net cash used in investing activities		(9,241)	(11,437)
		<hr/>	<hr/>
Financing activities			
Interest paid	5	(122)	(144)
		<hr/>	<hr/>
Net cash used in financing activities		(122)	(144)
		<hr/>	<hr/>
Net increase in cash and cash equivalents		13,463	848
Effects of currency translation on cash and cash equivalents		(392)	514
Cash and cash equivalents at beginning of period		4,552	3,190
		<hr/>	<hr/>
Cash and cash equivalents at period end		17,623	4,552
		<hr/>	<hr/>

¹ The prior year comparatives have been restated to reflect the retrospective application of a change in the dilapidations accounting policy. See note 1.15 on page 16 for further information.

Notes

(forming part of the financial statements)

1 Accounting policies

Mountain Warehouse Limited (the "Company") is a private company limited by shares incorporated and domiciled in the UK.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its group.

The Company has taken the exemption afforded to it under FRS102 and will not prepare a cash flow statement.

Under s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. The company profit for the period is £18,677,000.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

These financial statements are prepared for the 52 weeks ending 25th February 2018. The comparatives are prepared for the 52 weeks ending 26th February 2017.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

1.1 Measurement convention

The financial statements are prepared under the historical cost convention, as modified for the subsequent measurement of derivative financial instruments at fair value.

The company and group accounts are made up to the nearest Sunday to its accounting reference date.

1.2 Going concern

The Board has prepared a working capital forecast based upon assumptions as to the Group's future trading. Based upon these projections, its available facilities and cash balances and exposures and management of financial risks, the Board has concluded that there is a reasonable expectation that the Group has adequate resources to remain in operational existence for the foreseeable future. On this basis, the Directors continue to adopt the going concern basis for the preparation of the financial Statements.

1.3 Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

A.L. & I.D. Fox Limited has been included in the group financial statements using the purchase method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of A.L. & I.D. Fox Limited for the four month period from its acquisition on 31 October 2017. The purchase consideration has been allocated to the assets and liabilities.

Intercompany transactions and balances between Group companies are eliminated upon consolidation.

Notes (continued)

1 Accounting policies (continued)

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income.

The assets and liabilities of the company's overseas subsidiary undertakings are translated at the closing exchange rates. The profit and loss account of the undertaking is consolidated at the average rate of exchange during the period. Gains and losses arising on these translations are taken to reserves.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

Investments

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.6 Other Financial instruments

Financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion. Provision is made for obsolete, defective or slow-moving stock where appropriate. Due to increased exchange rate volatility post Brexit a more detailed weighted average calculation is used to determine the applicable exchange rate for stock costing. This led to a reduction in the stock balance at 25 February 2018 and an expense recorded in cost of sales of £748,000.

Notes (continued)

1 Accounting policies (continued)

1.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is provided to write-off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	-	5 years
Computer equipment	-	3 years
Leasehold improvements	-	the shorter of 10 years or the remaining lease term
Freehold properties	-	50 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.9 Goodwill and other intangible assets

Goodwill

Goodwill is stated at cost less accumulated amortisation and any accumulated impairment losses. Goodwill is allocated to cash-generating units.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Development costs

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software	-	3 years
Goodwill	-	5 years
Other intangibles	-	10 years

The company reviews the amortisation period when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill arising on acquisition of A.I. & I.D Fox Limited is being amortised evenly over the directors' estimate of its useful life of 5 years. This is based on the time frame over which the group can demonstrate the intention to run the premises as a Mountain Warehouse store. Goodwill has arisen on acquisition due to the customer base and good customer relations of the outdoor retailer that occupied the site previously.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of Assets where there is indication that goodwill or an intangible asset may be impaired.

Notes (continued)

1 Accounting policies (continued)

1.10 Post retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

1.11 Revenue

Revenue represents the amounts (excluding value added tax) derived from the provision of goods to customers during the period. Revenue is recognised when all of the significant risks and rewards of ownership have been transferred to the customer.

1.12 Operating leases

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

1.13 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date. Provisions are not discounted as the effect of the time value of money is not material.

1.14 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.15 Change in accounting policy

On lease inception the group recognises an asset and corresponding liability for the best estimate of dilapidations costs to be incurred at the premises. Prior to this change in policy the group accrued expected dilapidations costs over the life of the lease. The only material impact of this voluntary change in accounting policy on the financial statements is an increase in assets of £2,114,000 and provisions of £2,114,000.

Notes (continued)

2 Turnover

Turnover, analysed geographically between markets, was as follows:

	2018 £000	2017 £000
United Kingdom	159,460	138,377
Europe	24,287	16,843
Rest of the World	42,163	29,561
	<u>225,910</u>	<u>184,781</u>

Turnover is derived from the retail of outdoor clothing and equipment through retail outlets and online channels.

Group turnover is derived from high volume, low value retail sales and is therefore not dependent on any major customer.

3 Expenses and auditor's remuneration

Profit is stated after charging:

	2018 £000	2017 £000
Depreciation: owned assets	4,468	3,505
Amortisation of goodwill and intangibles	814	619
Operating lease expense	22,184	19,090
Loss on disposal of fixed assets	66	247
Foreign exchange differences	531	2,219
	<u></u>	<u></u>

Auditor's remuneration:

	2018 £000	2017 £000
Audit of these financial statements	51	49
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	51	49
Tax advisory	4	10
	<u></u>	<u></u>

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	2018 No.	2017 No.
Sales and administration	1,571	1,418

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	32,472	27,830
Social security costs	2,547	2,114
Contributions to defined contribution plans	136	127
	35,155	30,071

The Group operates a defined contribution pension plan. The assets of the scheme are administered by an independent pensions provider. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £136,000 (2017: £127,000). Contributions amounting to £21,000 (2017: £54,000) were payable to the scheme at the balance sheet date and are included in creditors.

5 Interest payable and similar charges

	2018 £000	2017 £000
Interest on bank loans and overdrafts	122	144

6 Directors' remuneration

	2018 £'000	2017 £'000
Directors' emoluments	608	552

The aggregate remuneration of the highest paid director was £210,000 (2017: £173,000) and company pension contributions of £Nil (2017: £18,000) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to the following number of directors under:

	2018	2017
Money purchase schemes	4	4

Notes (continued)

7 Taxation

Recognised in the profit and loss

	2018	2017
	£000	£000
<i>UK Corporation tax</i>		
Current period	3,007	2,689
Adjustments for prior periods	37	(2)
Foreign tax relief	-	(21)
	3,044	2,666
<i>Foreign tax</i>		
Current period	(275)	392
	2,769	3,058
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(84)	6
Adjustment in respect of prior periods	280	36
Effects of changes in tax rates	-	41
	196	83
Total tax expense	2,965	3,141

Income tax recognised in other comprehensive income

	2018	2017
	£000	£000
Effective portion of changes in fair value of cash flow hedges	898	93

The current tax charge for the period is lower (2017: *lower*) than the standard rate of corporation tax in the UK.

Notes (continued)

7 Taxation (continued)

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit before taxation	20,810	21,053
Tax using the UK corporation tax rate of 19% (2017: 20%)	3,954	4,211
Permanent items	187	80
Effect of tax rates in foreign jurisdictions	-	130
Adjustments in respect of previous periods	317	34
Effect of changes in tax rates	(135)	41
Effects of group relief	(1,358)	(1,355)
Total tax expense	2,965	3,141

The Finance Act (No.2) 2015 introduced reductions in the main rate of UK corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. The Finance Act 2016, enacted on 15 September 2016, replaced the 18% rate with a 17% rate to be applied from 1 April 2020. As these reductions were enacted at the balance sheet date the closing deferred tax balance has been calculated at the appropriate rate. Deferred tax assets of £523,000 are expected to unwind within 12 months of the balance sheet date.

8 Intangible assets

Group	Goodwill £000	Software £000	Total £000
Cost			
Balance at 26 February 2017	-	2,640	2,640
Additions	-	711	711
Acquisition of subsidiary undertaking	749	-	749
Balance at 25 February 2018	749	3,351	4,100
Amortisation and impairment			
Balance at 26 February 2017	-	1,388	1,388
Amortisation for the period	50	764	814
Balance at 25 February 2018	50	2,152	2,202
Net book value			
At 26 February 2017	-	1,252	1,252
At 25 February 2018	699	1,199	1,898

Notes (continued)

8 Intangible assets (continued)

Company

	Software £000
Cost	
Balance at 26 February 2017	2,577
Additions	636
	<hr/>
Balance at 25 February 2018	3,213
	<hr/>
Amortisation and impairment	
Balance at 26 February 2017	1,355
Amortisation for the period	759
	<hr/>
Balance at 25 February 2018	2,114
	<hr/>
Net book value	
At 26 February 2017	1,222
	<hr/>
At 25 February 2018	1,099
	<hr/>

Amortisation of group and company intangible fixed assets is included in administrative expenses.

Notes (continued)

9 Tangible fixed assets (restated) ¹

Group

	Freehold property £000	Fixtures & fittings £000	Total £000
Cost			
Balance at 26 February 2017	1,441	40,681	42,122
Dilapidations change in accounting policy	-	3,615	3,615
	<hr/>	<hr/>	<hr/>
Balance at 26 February 2017 (restated)	1,441	44,296	45,737
Additions	-	6,324	6,324
Acquisitions	1,350	26	1,376
Disposals	-	(3,151)	(3,151)
Foreign exchange differences	-	(714)	(714)
	<hr/>	<hr/>	<hr/>
Balance at 25 February 2018	2,791	46,781	49,572
	<hr/>	<hr/>	<hr/>
Depreciation			
Balance at 26 February 2017	72	21,098	21,170
Dilapidations change in accounting policy	-	1,501	1,501
	<hr/>	<hr/>	<hr/>
Balance at 26 February 2017 (restated)	72	22,599	22,671
Depreciation charge for the year	38	4,430	4,468
Impairment loss	-	883	883
Disposals	-	(3,085)	(3,085)
Foreign exchange differences	-	9	9
	<hr/>	<hr/>	<hr/>
Balance at 25 February 2018	110	24,836	24,946
	<hr/>	<hr/>	<hr/>
Net book value			
At 26 February 2017 (restated)	1,369	21,697	23,066
	<hr/>	<hr/>	<hr/>
At 25 February 2018	2,681	21,945	24,626
	<hr/>	<hr/>	<hr/>

¹ The prior year comparatives have been restated to reflect the retrospective application of a change in the dilapidations accounting policy. See note 1.15 on page 16 for further information.

Notes (continued)

9 Tangible fixed assets (restated) ¹ (continued)

Company	Freehold property £000	Fixtures & fittings £000	Total £000
Cost			
Balance at 26 February 2017	1,441	29,043	30,484
Dilapidations change in accounting policy	-	3,264	3,264
	<hr/>	<hr/>	<hr/>
Balance at 26 February 2017 (restated)	1,441	32,307	33,748
Additions	-	4,024	4,024
Disposals	-	(2,717)	(2,717)
	<hr/>	<hr/>	<hr/>
Balance at 25 February 2018	1,441	33,614	35,055
	<hr/>	<hr/>	<hr/>
Depreciation			
Balance at 26 February 2017	72	18,579	18,651
Dilapidations change in accounting policy	-	1,355	1,355
	<hr/>	<hr/>	<hr/>
Balance at 26 February 2017 (restated)	72	19,934	20,006
Depreciation charge for the year	38	2,952	2,990
Impairment loss	-	109	109
Disposals	-	(2,714)	(2,714)
Foreign exchange differences	-	87	87
	<hr/>	<hr/>	<hr/>
Balance at 25 February 2018	110	20,368	20,478
	<hr/>	<hr/>	<hr/>
Net book value			
At 26 February 2017 (restated)	1,369	12,373	13,742
	<hr/>	<hr/>	<hr/>
At 25 February 2018	1,331	13,246	14,577
	<hr/>	<hr/>	<hr/>

¹ The prior year comparatives have been restated to reflect the retrospective application of a change in the dilapidations accounting policy. See note 1.15 on page 16 for further information.

Notes (continued)

10 Investments in subsidiaries

At 25 February 2018, the Group controlled the following subsidiaries and all of which are included in the consolidated financial statements.

Subsidiary undertakings	Country of registration	Principal activity	Class and percentage of shares held
Zakti Limited	England and Wales	Retailing of clothing and equipment for fitness	Ordinary 100%
Mountain Warehouse Handelgesellschaft GmbH	Austria	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse Polska S.p. z o.o.	Poland	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse Outdoor (Canada) Limited	Canada	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse Outdoor Inc	USA	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse sro	Czech Republic	Dormant company	Ordinary 100%
A.L. & I.D. Fox Limited	England and Wales	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Company			£000
Cost			
Balance at 26 February 2017			62
Additions			2,299
Balance at 25 February 2018			<u>2,361</u>
Impairment			
Balance at 26 February 2017 and 25 February 2018			-
Net book value at 26 February 2017			<u>62</u>
Net book value at 25 February 2018			<u>2,361</u>

11 Stocks

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Finished goods	<u>45,644</u>	<u>42,018</u>	<u>36,394</u>	<u>32,401</u>

The cost of stocks recognised as an expense and charged to cost of sales in the period was £85.5m (2017: £71.1m).

Notes (continued)

12 Debtors

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Amounts owed by intermediary parent company	35,011	29,846	35,816	29,846
Amounts owed by subsidiary undertakings	-	-	16,955	21,237
Other debtors	1,479	2,624	803	537
Prepayments	3,050	2,494	2,679	2,123
Deferred tax	576	227	544	227
	<u>40,116</u>	<u>35,191</u>	<u>56,797</u>	<u>53,970</u>

Amounts owed by group undertakings are included in amounts due within one year where there are no specified repayment terms and there is no fixed repayment schedule in place and hence the amounts are technically repayable on demand. No interest is receivable on the balances owed from other group companies included above.

Deferred tax assets of £523,000 are expected to unwind within 12 months of the balance sheet date.

13 Creditors: amounts falling due within one year

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Amounts owed to intermediary parent company	10,887	10,887	10,887	10,887
Amounts owed to subsidiary undertakings	-	-	2,015	1,437
Trade creditors	11,894	10,207	9,931	9,817
Accruals and deferred income	11,326	7,639	9,332	6,196
Other taxes and social security	1,935	2,059	1,310	1,805
Corporation tax	121	741	655	664
	<u>36,163</u>	<u>31,533</u>	<u>34,130</u>	<u>30,806</u>

Amounts owed to group undertakings are included in amounts due within one year where there are no specified repayment terms and there is no fixed repayment schedule in place. While amounts owed to group undertakings are technically repayable on demand, and hence are included in amounts due within one year, the directors are of the opinion (as a result of their group role in relation to the group undertakings amounts are owed to) that in the ordinary course of business, repayment within such a timescale would not be required.

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2018 £000	2017 £000	2018 £000	2017 £000
Accruals and deferred income	<u>4,625</u>	<u>4,584</u>	<u>3,137</u>	<u>3,204</u>

Non-current accruals and deferred income relates to operating lease incentives released to the profit or loss over the lease term.

Notes (continued)

15 Provisions (restated) ¹

Group

	Onerous lease £000	Group Dilapidation provision £000	Total £000
Balance at 1 March 2016	377	1,317	1,694
Provisions made during the period	-	306	306
Provisions released during the period	(377)	(20)	(397)
Dilapidations change in accounting policy	-	2,114	2,114
	<hr/>	<hr/>	<hr/>
Balance at 26 February 2017 (restated)	-	3,717	3,717
Provisions made during the period	405	172	577
	<hr/>	<hr/>	<hr/>
Balance at 25 February 2018	405	3,889	4,294
	<hr/>	<hr/>	<hr/>
Current	-	300	300
Non-current	-	3,417	3,417
	<hr/>	<hr/>	<hr/>
Balance at 26 February 2017 (restated)	-	3,717	3,717
	<hr/>	<hr/>	<hr/>
Current	196	695	891
Non-current	209	3,194	3,403
	<hr/>	<hr/>	<hr/>
Balance at 25 February 2018	405	3,889	4,294
	<hr/>	<hr/>	<hr/>

¹ The prior year comparatives have been restated to reflect the retrospective application of a change in the dilapidations accounting policy. See note 1.15 on page 16 for further information.

Notes (continued)

15 Provisions (restated) ¹ (continued)

Company	Onerous lease £000	Company Dilapidation provision £000	Total £000
Balance at 1 March 2016	377	1,313	1,690
Provisions made during the period	-	293	293
Provisions released during the period	(377)	(20)	(397)
Dilapidations change in accounting policy	-	1,909	1,909
	<hr/>	<hr/>	<hr/>
Balance at 26 February 2017 (restated)	-	3,495	3,495
Provisions made during the period	173	48	221
	<hr/>	<hr/>	<hr/>
Balance at 25 February 2018	173	3,543	3,716
	<hr/>	<hr/>	<hr/>
Current	-	267	267
Non-current	-	3,228	3,228
	<hr/>	<hr/>	<hr/>
Balance at 26 February 2017 (restated)	-	3,495	3,495
	<hr/>	<hr/>	<hr/>
Current	61	566	627
Non-current	112	2,977	3,089
	<hr/>	<hr/>	<hr/>
Balance at 25 February 2018	173	3,543	3,716
	<hr/>	<hr/>	<hr/>

The dilapidation provision relates to the expected future costs to be incurred by the Group in order to satisfy its obligations to restore specific leasehold premises to the condition required under the lease agreements at the end of the lease. The timing in relation to the utilisation of these provisions is dependent upon the lease terms.

The onerous lease provision relates to where the Group's unavoidable costs of meeting its contractual obligations are higher than the expected benefits to be derived from it. The timing in relation to the utilisation of these provisions is dependent upon the lease terms. Market conditions have a significant impact and hence the assumptions on future cash flows are reviewed regularly and revisions to the provision made where necessary.

¹ The prior year comparatives have been restated to reflect the retrospective application of a change in the dilapidations accounting policy. See note 1.15 on page 16 for further information.

Notes (continued)

16 Capital and reserves

Share capital

Represents the nominal value of shares that have been issued.

	2018 £'000	2017 £'000
<i>Allotted, called up and fully paid; shares of £1 each</i>		
1,360,000 Ordinary shares	1,360	1,360

The above shares are subject to the following rights:

	Ordinary shares
Rights to dividends	As determined by the Board with the consent of the holders of 75% of the shares
Voting rights	One vote per share
Rights on sale of company	Equal first right upon allocation of proceeds on a sale of the company

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

	2018 £'000	2017 £'000
<i>Other comprehensive income</i>		
Effective portion of changes in fair value of cash flow hedges	(4,725)	(493)
Income tax on other comprehensive income	898	93
Total other comprehensive income	(3,827)	(400)

Foreign currency translation reserve

The foreign currency translation reserve comprises the gains and losses arising on the translation of the company's overseas subsidiary undertakings. The assets and liabilities of the undertakings are translated at the closing exchange rates. The profit and loss account of the undertaking is consolidated at the average rate of exchange during the period.

Profit and loss account

The profit and loss account comprises all current and prior period retained profits and losses.

Notes (continued)

17 Financial risk management

The group has exposure to three main areas of risk- foreign exchange risk, liquidity risk and credit exposure. The Directors have overall responsibility for the Group's risk management framework and the principal financial risks and uncertainties and the actions taken to mitigate key risks are reviewed on an ongoing basis.

Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates will impact the Group's costs or the value of its financial instruments.

A significant amount of the Group's stock is purchased from overseas suppliers denominated in US dollars and therefore the Group's principal foreign currency exposure is to US dollars.

It is Group policy to enter into forward foreign currency contracts to cover approximately 50% of forecast inventory purchases for up to 12 months.

Where appropriate, hedge accounting is adopted by the Group. Fair value movements in foreign currency derivatives are recognised in other comprehensive income to the extent that the contract is part of an effective hedging relationship (note 16). Fair value movements of £330,000 (2017: £251,000) that do not form part of an effective relationship have been charged to the profit or loss account.

The table below analyses the contractual cash flows of the Group's derivative financial instruments as at the balance sheet date.

	2018			2017		
	1 year or less £000	1 to <2years £000	Total £000	1 year or less £000	1 to <2years £000	Total £000
Forward exchange contracts	50,044	3,565	53,609	22,065	-	22,065

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Cash flow forecasts are prepared to assist management in identifying future liquidity requirements to ensure that the Group has sufficient cash or loan facilities to meet all of its commitments when they fall due.

The Group also has a £16.5m revolving credit facility to support short and medium term liquidity

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risk on its holdings of cash and cash equivalents and derivative financial assets. To mitigate this risk, counterparties are limited to high credit financial institutions and the Board monitors its exposure to counterparty risk on an ongoing basis.

The Group is also exposed to credit risk in relation to payments in advance of goods to overseas suppliers. At 25 February 2018 this exposure amounted to £6.1m (2017: £1.2m). The Group uses letters of credit for certain overseas suppliers, which reduces the total exposure to advance payments.

As a retail business the Group has minimal exposure to credit risk on trade receivables.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk and any associated impairments are immaterial.

Notes (continued)

18 Financial assets and liabilities

The carrying amounts of the financial assets and liabilities include:

Financial assets

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Current				
Derivatives used for hedging	416	1,972	416	1,972
Trade and other receivables	39,540	34,964	56,253	53,743
Cash and cash equivalents	17,623	4,552	13,892	1,331
	<u>57,579</u>	<u>41,488</u>	<u>70,561</u>	<u>57,046</u>

Financial liabilities

	Group		Company	
	2018	2017	2018	2017
	£000	£000	£000	£000
Non-current				
Trade and other payables	4,625	4,584	3,137	3,204
	<u>4,625</u>	<u>4,584</u>	<u>3,137</u>	<u>3,204</u>
Current				
Derivatives used for hedging	2,839	-	2,839	-
Trade and other payables	36,163	31,533	34,130	30,806
	<u>39,002</u>	<u>31,533</u>	<u>36,969</u>	<u>30,806</u>

Foreign currency forward exchange contracts have been fair valued using observable forward exchange rates corresponding to the maturity of the contract. The fair values of other financial assets and liabilities have been assessed as approximating to their carrying values.

19 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	(53)	(227)	-	21	(53)	(206)
Derivatives	(523)	-	-	331	(523)	331
Goodwill	-	-	234	-	234	-
	<u>(576)</u>	<u>(227)</u>	<u>234</u>	<u>352</u>	<u>(342)</u>	<u>125</u>
Tax (assets) / liabilities	(576)	(227)	234	352	(342)	125

Notes (continued)

19 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Company	Assets		Liabilities		Net	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Accelerated capital allowances	(21)	(227)	-	-	(21)	(227)
Derivatives	(523)	-	-	331	(523)	331
Tax (assets) / liabilities	<u>(544)</u>	<u>(227)</u>	<u>-</u>	<u>331</u>	<u>(544)</u>	<u>104</u>

20 Operating leases

Non-cancellable operating lease rentals in respect of land and buildings and vehicles are payable as follows:

Group and Company	Land and buildings		Vehicles	
	2018 £000	2017 £000	2018 £000	2017 £000
Less than one year	21,171	18,563	76	88
Between one and five years	56,863	54,807	36	111
More than five years	27,452	23,954	-	-
	<u>105,486</u>	<u>97,324</u>	<u>112</u>	<u>199</u>

21 Contingencies

Certain subsidiaries within the Group are party to cross guarantees given for bank loans and overdrafts held within Mountain Warehouse Group Holdings Limited, a parent company. The principal value of these bank loans is £79.1m (2017: £77.4m).

There were no other material contingent assets or liabilities at 25 February 2018 (2017: £Nil).

22 Related parties

The Company's immediate parent undertaking is Mountain Warehouse Holdings Limited, a company incorporated in England and Wales. The ultimate parent company is Mountain Warehouse International Limited, a company incorporated in England and Wales.

The consolidated financial statements of this group are available to the public and may be obtained from 5 Eccleston Street, London, SW1W 9LX.

The ultimate controlling party is M Neale.

The largest group in which the results of the Company are consolidated is that headed by Mountain Warehouse International Limited. The smallest group in which the results of the Company are consolidated is that headed by Mountain Warehouse Limited.

Under Section 33 of FRS 102 the Company has taken advantage of the exemption from reporting intra-group transactions.

Notes (continued)

23 Acquisition of subsidiary

On the 31st October 2017 Mountain Warehouse Limited purchased the entire issued share capital of A.L. & I.D. Fox Limited for cash consideration of £2,250,000.

A.L. & I.D. Fox Limited traded as 'Fox's Outdoor' from a single store specialising in outdoor leisurewear and equipment.

Analysis of the acquisition of A.L. & I.D. Fox Limited:

	Book value £'000	Revaluation adjustments £'000	Fair value to group £'000
Property, plant and equipment	27	1,350	1,377
Inventory	614	-	614
Trade and other receivables	22	-	22
Cash and cash equivalents	92	-	92
Trade and other payables	(321)	-	(321)
Deferred tax liability	-	-	(234)
	<hr/> 434	<hr/> 1,350	<hr/> 1,550
Goodwill arising on acquisition			<hr/> 749
Total			<hr/> <hr/> 2,299
Discharged by:			
Cash consideration			2,250
Costs associated with the acquisition			49
			<hr/> <hr/> 2,299

The revaluation adjustment to property, plant and equipment is the increase in value of long leasehold properties.

Revenue of £656,000 and a loss after tax of £111,000 arose in the period from acquisition to 25th February 2018 relating to A.L. & I.D. Fox Limited.

Goodwill arising on acquisition of A.L. & I.D. Foxes Limited is being amortised evenly over the directors' estimate of its useful life of 5 years. This is based on the time frame over which the group can demonstrate the intention to run the premises as a Mountain Warehouse store.